

CHAPTER 5

SALVAGE

Section 5-1

SALVAGE TITLES AND SCRAP TITLES

5-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) provides that only those Michigan dealers with C, F, H and R license classifications may deal in salvage- and scrap-titled vehicles and salvageable parts. Additional record keeping is required. A vehicle owner may apply for a salvage title or scrap title at any time, but there are certain times when an owner is required to apply for a salvage or scrap title.

NOTE: A list of non-salvageable parts is printed on the face of salvage and scrap titles.

5-1.2 Distressed Vehicles. Generally, salvage titles are issued when insurance companies acquire distressed vehicles. However, when a dealer acquires a late model distressed vehicle not having a salvage or scrap title, the dealer must apply for the appropriate title within five days.

- a) **Definition.** A distressed vehicle is a late model vehicle with one or more major component parts missing or damaged. The estimated cost to repair the vehicle, including parts and labor, is 75% or more of the vehicle's pre-damaged cash value.
 - 1) For late model vehicles (see Section 5-2 for definition), a salvage title is required if the cost of repairs is 75% or more of the actual cash value and less than 91% of the actual cash value.
 - 2) For late model vehicles, a scrap title is required if the cost of repairs is 91% or more of the actual cash value.
- b) **On-road Use.** Scrap-titled vehicles may not be rebuilt for on-road use. They may only be used for parts or scrap metal.
- c) **Actual Cash Value.** This means the retail dollar value of the vehicle as determined by an objective vehicle evaluation, such as from other dealers, newspaper advertisements, an independent appraisal service, or a current issue of a nationally recognized used vehicle price guide.
- d) **Estimated Cost of Parts.** This is determined by using the current published retail cost of original equipment manufacturer (OEM) parts or the actual cost of parts needed to repair the vehicle.
- e) **Estimated Cost of Labor.** This is calculated by using the hourly rate and time allocations which are reasonable and commonly assessed in the repair industry in the community where the repairs are performed.

Section 5-2

LATE MODEL VEHICLES

A late model vehicle is one that weighs less than 8,000 pounds and was manufactured in the current model year or in one of the five model years preceding the current model year. If the vehicle is over 8,000 pounds and manufactured in the current model year or during the 15 model years preceding the current model year, it is also considered a late model vehicle.

NOTE: For purposes of determining the model year for late model salvage vehicles, the Department of State assumes that all salvage vehicles have a manufacture date of January 1. That means, for example, that on January 1, 2003, all vehicles manufactured in 1998 or later qualify as late model, if the vehicle weighs less than 8,000 lbs.

Section 5-3

SALVAGE VEHICLES

5-3.1 Definition. A salvage vehicle is a late model vehicle that has one or more major component parts that have been wrecked, destroyed, damaged, stolen, or missing, to the extent that the total estimated cost of repairs (parts and labor) is 75% or more, but less than 91%, of the vehicle's pre-damaged actual cash value.

5-3.2 Requirement. If a dealer acquires a vehicle that meets the definition of a distressed vehicle and has not yet been titled as salvage or scrap, Michigan law requires that the dealer apply for a Michigan salvage or scrap title within five days.

5-3.3 Applying for a Salvage Title. The dealer submits form TR-12, *Application for Original Michigan Salvage Title or Scrap Title*, along with the vehicle title and an RD-108 to a Secretary of State branch office.

5-3.4 Major Component Parts. The following is a list of major component parts:

- a) Engine;
- b) Transmission;
- c) Right or left front fender;
- d) Hood;
- e) A door allowing entrance to or exit from the vehicle's passenger compartment;
- f) Front or rear bumper;
- g) Right or left rear quarter panel;
- h) Deck lid, tailgate or hatchback;
- i) Trunk floor pan;

- j) Cargo box of a pickup;
- k) Frame, or if the vehicle has a unitized body, the supporting structures that serve as the frame;
- l) Cab of a truck;
- m) Body of a passenger vehicle.

5-3.5 Selling at Wholesale. New and used vehicle dealers may sell a salvage-titled vehicle at wholesale to an automotive recycler (Class R), a used or secondhand vehicle parts dealer (Class C), a foreign salvage vehicle dealer (Class H), or a vehicle scrap metal processor (Class F) by assigning the salvage title to the buyer. (See Chapter 1 for dealer classifications.)

5-3.6 Selling to Non-dealers. If a salvage-titled vehicle is sold to a retail customer, application must be made for a salvage title in the name of the buyer.

Section 5-4

SALVAGE DISCLOSURE

5-4.1 Requirement. When a late model rebuilt vehicle is sold at retail or wholesale, the selling dealer must disclose its previous salvage status in writing to the purchaser. If it is a retail sale, the dealer must mark the appropriate box on the RD-108. Salvage disclosure must be given to the purchaser before the agreement to purchase is reached.

5-4.2 Disclosure Language. The salvage disclosure must contain a written statement that reads:

“The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.”

5-4.3 Signatures. The disclosure must contain spaces for the purchaser’s and seller’s signature and date. The disclosure must be presented to, and signed by, the seller and purchaser before entering into a sales agreement.

NOTE: A sample salvage vehicle disclosure statement is shown at the end of this chapter. This sample may be copied and used by dealers.

5-4.4 Vehicle Description. A detailed description of the vehicle must be written on the disclosure, including:

- a) Vehicle make and model;
- b) Year of manufacture; and,
- c) Vehicle Identification Number (VIN).

5-4.5 Distribution of Copies. A copy of the signed salvage disclosure must be given to the purchaser at the time of purchase. Additionally, a copy of the salvage disclosure must be kept in the dealer's files for five years.

Section 5-5

SALVAGE VEHICLE AGENT

5-5.1 Authorization. Salvage Vehicle Agents licensed by the Michigan Department of State are the only persons authorized to buy salvage- or scrap-titled vehicles or major component parts at salvage pools or auctions.

5-5.2 Specific Dealer Classifications. Class C, H, and R dealers are the only dealers permitted to have Salvage Vehicle Agents. Each Class C, H, and R dealer may have two Salvage Vehicle Agents (including the dealer). A Salvage Vehicle Agent may represent only his/her dealership of employment when dealing in salvage- or scrap-titled vehicles or salvageable parts.

5-5.3 License Expiration. The license for the Salvage Vehicle Agent is directly associated with the employing dealer's license. It expires and is renewed when the dealer's license expires or is renewed. Both the dealer and the Salvage Vehicle Agent applicant must sign the application. Contact the Licensing Section at 517/373-9460 for form AR-0188, *Original Salvage Vehicle Agent Application*.

5-5.4 Photo Identification. Salvage Vehicle Agents receive a photo identification card. The card must be prominently displayed while attending salvage auctions. The Salvage Vehicle Agent license and ID card are not transferable.

Section 5-6

OUT-OF-STATE SALVAGE, SCRAP, OR FLOOD VEHICLES

Vehicles brought into Michigan from another state or province which have a salvage, scrap, rebuilt, flood-damaged, or equivalent title must be issued a comparable Michigan title. The dealer should enter in the Remarks section of the RD-108 the name of the issuing state and the title brand from that state.

NOTE: If questions arise as to an out-of-state brand, you may contact the Secretary of State's Driver and Vehicle Information Center at 517/322-1460 for assistance.

Section 5-7

REBUILT SALVAGE

5-7.1 Recertification Inspection. Before a rebuilt salvage-titled vehicle may be registered for road use, it must be inspected by a certified salvage vehicle inspector, who is a specially trained police officer. Dealers should check with a Secretary of State branch office for the names,

addresses, and telephone numbers of certified salvage vehicle inspectors in their area. The list can also be found on the Department of State's Web site (www.Michigan.gov/sos).

- a) **Application Process.** To apply for an inspection, a dealer must complete form TR-13A, *Application for Salvage Vehicle Inspection*. TR-13A forms are available at Secretary of State offices, or by mailing or faxing a written request to:

Michigan Department of State
Purchasing & Contracts Section
Lansing, Michigan 48918-1444
Fax: 517/335-7338

NOTE: Dealers must include their street address and dealer number when ordering these forms. Orders are sent by UPS and cannot be delivered to a Post Office box.

- b) **Scheduling Inspection.** The completed form TR-13A, *Application for Salvage Vehicle Inspection*, the salvage title, and all receipts for major component parts used to rebuild the vehicle are presented to a certified salvage vehicle inspector. After reviewing the documents, the inspector will schedule a vehicle inspection.

5-7.2 Re-titling for Road Use. Once the inspector determines the vehicle has passed the inspection and completes and signs form TR-13B, *Salvage Recertification Inspection*, the vehicle is eligible for re-titling and registering for road use.

5-7.3 Selling Rebuilt Salvage Vehicle at Retail. When selling a rebuilt salvage vehicle, the dealer must apply for title and registration in the purchaser's name. Forms TR-13A and TR-13B are submitted with the RD-108. Odometer disclosure is required. Written salvage disclosure must be signed by the purchaser indicating the vehicle was previously a distressed vehicle.

NOTE: All subsequent titles issued for rebuilt and recertified vehicles will contain a legend that reads, "REBUILT SALVAGE."

Section 5-8

SCRAP VEHICLES

5-8.1 Definition. A scrap vehicle is a late model vehicle that has at least one major component part that has been wrecked, destroyed, damaged, stolen or missing, to the extent that the total estimated cost of repairs (parts and labor) is 91% or more of its pre-damaged actual cash value. A scrap vehicle may also come into Michigan with a comparable title from another jurisdiction.

5-8.2 Requirement. If a dealer acquires a late model distressed vehicle that requires a scrap title, the dealer must apply for the scrap title within five days.

5-8.3 Procedure. Once a scrap title is issued, the Vehicle Identification Number (VIN) for the vehicle is canceled, or "killed". The vehicle may not be repaired or rebuilt for road use.

Vehicles with scrap titles may only be dismantled and sold as parts, or sold to a vehicle scrap metal processor for metal recycling.

- a) Class C, H, and R dealers may sell major component parts on bills of sale (invoices) after the parts have been removed from the frame or unitized body supporting structure of a scrap vehicle.
- b) The dealer must assign and mark a part number on each major component part. The assigned number may be the original manufacturer's VIN, the manufacturer's part number, or the dealer's stock number. Each part number and description must be listed on the bill of sale.
- c) A frame or unitized body supporting structure may be sold on a bill of sale only after all other major component parts have been removed from it.
- d) Class C, H, and R dealers may sell a scrap-titled vehicle on a bill of sale, provided that the title is marked "scrapped" or "junked" and mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918.

Section 5-9

ASSEMBLED VEHICLES

5-9.1 Definition. An assembled vehicle is one of the following vehicles:

- a) One built (assembled) from new or used materials and parts by someone not recognized as a manufacturer (usually an individual).

Example: a homemade vehicle.

- b) One assembled from a kit (often called "kit cars"), even if an MCO is provided.
- c) One altered or modified to the extent that it no longer reflects its original manufacturer identification.

Example: a Volkswagen made into a dune buggy.

NOTE: Simply replacing the hood, fenders, trunk lid, engine, etc., does not dictate assembled status, unless the vehicle is no longer recognizable as its original year, make and model.

5-9.2 Requirements. Scrap-titled vehicles must be completely dismantled, with all major component parts removed from the frame or unitized body supporting structure, before the frame or unitized body supporting structure may be used as part of an assembled vehicle.

- a) To qualify for an assembled vehicle title, a vehicle assembled from scrap vehicle parts must be made up of major component parts from two or more scrap vehicles. An assembled vehicle may not include both the frame (or unitized body supporting structure) and any other major component part from the same scrap-titled vehicle.
- b) For assembled vehicles, the "year" is the year the first title application is processed

and the “make” is “Assembled”. The VIN is a new state-assigned number.

NOTE: It is illegal to remove an existing VIN plate or to be in possession of VIN plates. State law deems this a felony, punishable by imprisonment for not more than four years, a fine of not more than \$10,000, or both, and revocation of the dealer’s license. VIN plates may never be removed or moved from one vehicle to another.

5-9.3 Applying for an Assembled Title. To apply for an assembled title and the state-assigned VIN, obtain form BFS-72, *Instructions for Titling an Assembled Vehicle*, from a Secretary of State branch office. Dealers need the following to apply for the title:

- a) Any titles or properly-assigned ownership documents (TR-42, TR-52, or TR-182) from vehicles used in the assembly process;
- b) Form TR-54, *Vehicle Number and On-Road Equipment Inspection*, with Parts 1 and 2 completed by a police officer;
- c) Original bills of sale, or if the parts were already owned and no bill of sale exists, form TR-34, *Certification*, documenting how the parts were obtained. Form TR-34 must include the serial number on the part and a statement that the applicant is the rightful owner;
- d) Form TR-34, *Certification*, is also used for summarizing the building process of the vehicle. It should include a description of the vehicle and its parts, who assembled the vehicle, when and where it was assembled, and any special information about the vehicle.

Section 5-10

REPLACEMENT VIN

5-10.1 Requirement. If the manufacturer’s VIN plate is missing from a vehicle, or if the part containing the VIN plate must be replaced, the dealer must apply for a replacement VIN at a Secretary of State branch office.

5-10.2 VIN Sticker. Once the application is approved, Michigan Department of State enforcement personnel will apply a replacement VIN sticker containing the original VIN to the driver’s door post of the vehicle.

Section 5-11

FLOOD-DAMAGED VEHICLES

5-11.1 Requirement. According to the Michigan Vehicle Code, all vehicles and trailer coaches meeting the definition of a flood-damaged vehicle (see Section 5-11.2 for definition) must be issued a specially-branded title that indicates to future purchasers the flood-damaged status of the vehicle. Michigan vehicle titles with flood branding are orange (like salvage titles) to alert purchasers.

NOTE: Any flood-damaged brands shown on out-of-state titles will be carried forward to the Michigan title.

5-11.2 Definition. A flood-damaged vehicle is defined as a vehicle submerged in water to the point water entered the passenger compartment or trunk over the sill of the trunk floor pan or door sill, or a vehicle acquired by an insurance company as part of the settlement of a water damage claim.

5-11.3 Selling at Retail. When selling a flood-damaged vehicle to a retail purchaser, the dealer must check the box marked “Vehicle Has Been Flood-Damaged.”

Section 5-12

RECORD KEEPING REQUIREMENTS

5-12.1 Proof of Ownership. Dealers must have either a properly assigned title, a salvage title, a scrap title, or a form TR-52, *Notice of Abandoned Vehicle*, for every vehicle in inventory. If a dealer acquires a late model distressed vehicle which has a clean or unbranded title, the dealer must apply for the salvage or scrap title within five days.

5-12.2 Scrap Processor Exception. A Vehicle Scrap Metal Processor (Class F) is not required to obtain a title for each vehicle purchased from another licensed dealer. Here, proof of ownership is the *Scrap Vehicle Inventory*, form TR-9.

5-12.3 Police Book Requirements. When dealers acquire vehicles to be dismantled, the vehicles are logged into the Police Book and – as the individual major component parts are sold – they are logged into the Major Component Parts Record. The Major Component Parts Record must be maintained in or attached to the Police Book. Class F Vehicle Scrap Metal Processors are required to make Police Book entries only for vehicles purchased from non-dealers.

5-12.4 Major Component Parts Record. Class C, H, and R dealers must keep a record of major component parts bought and sold. Parts acquired are assigned a stock number and logged into the record. The stock number must be permanently marked on the part. Disposed parts are also logged in the Major Component Parts Record.

- a) **Required Information.** A sample of the Major Component Parts Record appears at the end of this chapter. It may be photocopied for use. A Major Component Parts Record must contain the following information:
- 1) A description of the part purchased or sold;
 - 2) Name and address of the seller or purchaser;
 - 3) Date of the purchase or sale;
 - 4) Stock number assigned by the dealer; and
 - 5) Incoming and outgoing invoice numbers.

- b) Computerized Records.** The Major Component Parts Record may be kept on computer. However, a paper copy of the data entries and reference codes must be accessible to investigators. See Chapter 2, Section 2 for additional information.

NOTE: Other portions of the Michigan Compiled Laws may require additional records to be kept if the dealership also repairs or replaces certain parts, or purchases used vehicle parts other than from a licensed dealer. Questions regarding the repair or replacement of parts may be directed to the Repair Program Section at (517) 241-4134, and questions about buying parts from non-dealers may be answered by local law enforcement officials.

5-12.5 Scrap Vehicle Inventory, Form TR-9. A dealer selling or assigning a vehicle or its remaining parts to a Class F Vehicle Scrap Metal Processor must complete form TR-9, *Scrap Vehicle Inventory*. TR-9 forms are available by mailing or faxing a written request to the Michigan Department of State, Purchasing & Contracts Section, Lansing, Michigan 48918-1444 (Fax: 517/335-7338).

- a) Completing the Form.** Each form TR-9, *Scrap Vehicle Inventory*, must contain the following information:

- 1) Dealer name and address;
- 2) Dealer number;
- 3) Name, address, and dealer license number of the Vehicle Scrap Metal Processor;
- 4) Date the vehicles were sent to the processor;
- 5) Year, make, VIN, stock number, and color for each vehicle being delivered.

NOTE: Form TR-9, Scrap Vehicle Inventory, is not used to assign ownership of vehicles to dealers other than a Class F Vehicle Scrap Metal Processor. Used vehicle parts dealers who crush and transport vehicles to the processor must acquire ownership by means of a title or other ownership document.

- b) Form Distribution.** Distribute copies of form TR-9, *Scrap Vehicle Inventory*, as follows:

- 1) The first copy is given to the Class F Vehicle Scrap Metal Processor;
- 2) The second copy is sent to the Michigan Department of State within 30 days with the title (or form TR-52, *Notice of Abandoned Vehicle*). It is mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918;
- 3) The third copy is retained by the selling dealer for five years.

MAJOR COMPONENT PARTS RECORD

[illegible]

Back of Major Component Parts Record

R 257.253 - Salvage vehicle disclosure information			
<u>Rule 3.</u>			
<p>1. Before entering into an agreement of sales, a dealer who sells a late model salvage vehicle which has been repaired shall certify to the buyer in writing that the vehicle was previously distressed.</p> <p>2. The certification may be written or printed directly on a document which evidences the agreement or on a separate document attached to the agreement.</p> <p>3. The certification shall read substantially as follows:</p> <p><i>The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.</i></p>			
<hr/>		<hr/>	
(Date)		(Signature of Purchaser)	
<hr/>		<hr/>	
(Date)		(Signature of Seller)	
<hr/>	<hr/>	<hr/>	<hr/>
(Make)	(Model)	(Year)	(VIN)

Rule 3.

- The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.*

(Signature of Purchaser)

(Signature of Seller)

(VIN)

Back of Salvage Vehicle Disclosure Form